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OPEC: Financial Strains and Their Implications

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A Research Paper

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GI 83-10228
September 1983

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OPEC: Financial Strains and Their Implications [redacted]

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Summary

Information available as of 1 August 1983 was used in this report.

Although the oil price decline has helped stimulate Western economic recovery, the OPEC current account deficit—which the price decline has generated—is causing several troublesome financial and political problems for the OPEC members. OPEC's decline in oil revenues, now well into its third year, has produced a dramatic $139 billion downward swing in its current account. From a surplus of $110 billion in 1980, we estimate that the current account will dip into the red by some $30 billion this year and by $20-25 billion in 1984. Already the deficit is having an impact:

- External payments difficulties of Nigeria, Ecuador, and Venezuela are adding to the international debt problem by placing new demands on limited IMF resources and commercial bank credit.

- Necessary cutbacks in OPEC imports of goods and services come on top of cuts by some 30 financially troubled nonoil LDCs and will constrain the growth in world trade that should accompany the economic recovery of the industrial nations.

- OPEC financial aid is likely to be $1.5-2.5 billion less than last year with some strategically important Arab states taking cuts. OPEC aid recipients that are also allies of the industrial countries—such as Morocco and Somalia—will likely ask the United States and West European nations to make up aid-related funding shortfalls.

- As OPEC development projects are cut back, we expect that diminished employment opportunities for foreign workers in Gulf states will slow growth of remittances and adversely affect Pakistan, Jordan, Egypt, and North Yemen. [redacted] 25X1

The wealthier Gulf states—Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates (UAE)—will absorb the bulk of the deterioration in OPEC financial accounts. Their large asset holdings enable them to easily finance shortfalls, but adjustments, including budget and aid cuts, will have to be made to avoid erosion of their asset base in the event that oil markets remain soft over the next several years. We estimate that this year OPEC members combined will draw down about $35 billion from their $330 billion in foreign asset holdings at yearend 1982. Despite the financial flexibility this wealth provides, ruling royal families will have to be cautious in their handling of more austere economies and in their personal lifestyles to avoid criticism that could question the government's legitimacy. [redacted] 25X1

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Financially troubled OPEC debtors—Ecuador, Nigeria, Venezuela, and Indonesia—face the most serious economic and political repercussions from lower oil earnings because of their large populations, high import demands, and heavy debt service burden. They have been forced to drastically cut imports this year to keep their deficits under control. 25X1

It is against this backdrop that the 1983-84 OPEC current account deficit and asset drawdown should be viewed. While the exact unfolding of oil market developments will likely change the precise numbers, we believe our baseline projection—barring a major change in the Iran-Iraq war—captures the key economic factors that will affect both regional political stability and the international financial system. Should the soft oil market persist beyond 1984, economic and political implications we outline for the OPEC states will be more severe. 25X1

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Table 1
OPEC: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**118.2**	**108.0**	**130.4**	**146.1**	**139.8**	**209.7**	**292.7**	**266.5**	**210.6**	**172.0**	**191.0**
Oil	111.6	101.5	122.3	136.9	129.3	194.9	275.4	250.9	194.7	153.9	171.5
Nonoil	6.5	6.5	8.1	9.3	10.6	14.8	17.2	15.6	16.0	18.1	19.5
Imports (f.o.b.)	**38.0**	**58.9**	**73.5**	**89.8**	**104.4**	**105.8**	**130.6**	**157.9**	**150.5**	**142.7**	**149.6**
Trade balance	**80.2**	**49.2**	**56.9**	**56.4**	**35.4**	**103.9**	**162.1**	**108.7**	**60.1**	**29.3**	**41.3**
Net services	**−9.3**	**−15.4**	**−23.2**	**−30.0**	**−38.0**	**−39.0**	**−43.1**	**−46.7**	**−49.4**	**−51.8**	**−56.9**
Freight and insurance	−4.5	−7.9	−11.2	−12.9	−14.5	−14.6	−19.3	−24.7	−23.0	−20.8	−21.8
Investment income [c]	4.2	4.9	6.7	8.5	11.1	18.4	27.4	36.0	34.6	29.9	27.0
Other [d]	−8.9	−12.4	−18.6	−25.6	−34.6	−42.8	−51.2	−57.9	−61.1	−61.0	−62.2
Grants	**−3.7**	**−5.0**	**−4.3**	**−6.0**	**−5.5**	**−6.3**	**−9.1**	**−9.5**	**−9.2**	**−6.9**	**−7.0**
Current account balance	**67.2**	**28.8**	**29.5**	**20.4**	**−8.1**	**58.6**	**109.9**	**52.4**	**1.5**	**−29.5**	**−22.6**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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OPEC: Financial Strains and Their Implications

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Current Account Shifts

After reaching a peak of $110 billion in 1980, the OPEC current account surplus declined rapidly during 1981-82, reflecting the increasingly depressed world oil market (table 1). Based on trade, aid, and oil export data, we estimate that both the aggregate OPEC current account and that of Saudi Arabia moved into deficit during the fourth quarter of 1982. Our baseline projection puts the OPEC current account deficit at a record $29 billion this year and near $23 billion in 1984, assuming that:

- The current OPEC benchmark price of $29 per barrel and individual production shares hold over the next 16 months to put the weighted average price of a barrel of OPEC oil at $27.60.
- Demand for OPEC exports climbs to approximately 17 million barrels per day (b/d) by the fourth quarter of 1983 and remains fairly steady at this level next year. We estimate OPEC crude production during the first half of 1983 at 16.3 million b/d with exports at about 13 million b/d.
- OPEC real imports fall 7 percent this year and grow a modest 2 percent next year.
- World interest rates decline slightly to average 9.5 percent to 10 percent this year and next.

We also calculate that lower earnings on OPEC's official foreign assets estimated at $295 billion by yearend 1983 will lead to a small widening in the net services deficit. We project, based on trade and aid data covering the first half of 1983, that cuts in imports and grant aid to help offset the revenue shortfall could amount to about $10 billion this year.[1]

[1] For a more complete discussion of the balance-of-payments calculations, see appendix A.

The most unpredictable element affecting OPEC's overall international payments position is the Iran-Iraq war. Should Iranian oil facilities and exports be seriously damaged by an escalation in hostilities, spot market prices would almost certainly rise. Moreover, should the war spread to other Gulf producers, the price rise would be much steeper. If, however, the conflict is settled, oil exports could rise, and this in turn would weaken oil prices even more, making the economic and political implications for the OPEC states more severe. 25X1

The collective deficit masks a diversity of financial positions among the 13 OPEC members. We estimate that this year Saudi Arabia will record a $15 billion current account deficit (table 2). We attribute this dramatic turnaround in its traditionally large surplus to its role as swing producer in the March OPEC agreement, which we believe will constrain Riyadh's 1983 oil exports to about 4.4 million b/d and allocate to it some two-thirds of the decline in total OPEC oil revenues. Other traditional surplus countries—Kuwait, the UAE, and Qatar—will bear only about 10 percent of the oil revenue decline and should maintain small current account surpluses because of modest import requirements and sizable investment income from foreign assets. 25X1

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We estimate that the deficits of the OPEC debtors—Ecuador, Venezuela, Nigeria, Indonesia, Iraq, and Algeria—will be equal to or smaller than last year's levels as imports are cut back. With current debt payments problems and limited foreign exchange reserves, Ecuador, Nigeria, and Iraq, in our judgment, will pare imports the most—about 20 percent—to keep their deficits manageable. Iraq is relying on continued financial aid from the Gulf states and large trade and project credits from traditional suppliers to cover its current account deficit, which we project at

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Table 2
OPEC: Current Account Balances [a]

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [b]	1983 [c]	1984 [c]
Total	**67.2**	**28.8**	**29.5**	**20.4**	**−8.1**	**58.6**	**109.9**	**52.4**	**1.5**	**−29.5**	**−22.6**
Algeria	0.6	−1.6	−1.6	−4.0	−4.4	−2.2	1.7	−1.7	−2.5	−2.5	−1.2
Ecuador	−0.1	−0.4	−0.3	−0.5	−0.6	−0.6	−0.2	−1.2	−1.3	−1.0	−1.0
Gabon	0.1	0	0	0.1	0	0.1	0.6	0.2	0.3	0.2	0.4
Indonesia	0.7	−0.9	−1.4	−0.1	−1.3	2.1	5.1	0.5	−5.1	−5.1	−2.8
Iran	12.9	4.6	4.5	5.6	0.5	12.1	0.3	−2.7	6.4	4.2	3.6
Iraq	2.7	1.1	2.2	2.8	1.4	7.6	7.6	−17.1	−17.8	−14.9	−13.6
Kuwait	6.3	5.2	6.0	3.8	5.3	14.1	15.2	11.3	5.3	4.5 [d]	6.0
Libya	1.8	0.1	2.1	2.4	0.8	3.8	10.4	−3.7	1.1	−0.3	−1.9
Nigeria	5.4	−0.5	−1.5	−2.5	−5.0	2.4	4.2	−4.9	−3.6	−2.0	−1.0
Qatar	1.4	0.8	1.2	0.7	1.1	2.3	4.4	4.4	2.6	2.0	1.8
Saudi Arabia	25.5	15.1	15.3	13.1	−1.6	12.8	48.8	56.9	14.4	−14.7 [d]	−12.2
UAE	3.9	3.1	3.9	2.2	1.5	4.4	7.9	8.0	4.1	1.5	0.5
Venezuela	5.9	2.2	−0.9	−3.0	−5.7	−0.2	3.9	2.4	−2.2	−1.3	−1.0

[a] Does not include earnings on private OPEC holdings abroad.
[b] Estimated.
[c] Projected.
[d] Includes Kuwaiti oil exports of $1 billion and Saudi exports of $2.5-3.0 billion which are being provided to Iraq.

[redacted] 25X1

$15 billion. Venezuela can draw on modest foreign exchange reserves and its International Monetary Fund (IMF) reserve position to help finance imports, which, nevertheless, may fall about 10 percent below last year's level, based on available 1983 trade data. Still considered creditworthy by bankers, Algeria and Indonesia are borrowing on international capital markets to help finance their deficits, which we expect will approach 1982 levels. [redacted]

Elsewhere, we believe that Libya and Gabon will continue conservative financial policies instituted last year to keep their current account positions near balance. Iran will likely post a smaller surplus than last year as the Khomeini regime begins to embark on its first five-year development plan. After two years of import austerity, first-quarter 1983 trade data suggest Iranian import volume could be up by about 20 percent this year. [redacted]

Drawing on Foreign Assets

As the OPEC current account moves further into the red, OPEC governments will be forced to draw down their foreign assets, which we estimate were $330 billion at yearend 1982, and seek new loans on international capital markets. If the overall current account deficit totals nearly $30 billion and net capital outflows remain near current levels, OPEC states will need to finance nearly $45 billion this year. Based on loan activity to date and discussions with international bankers, we expect OPEC members—traditionally net suppliers of funds to international capital markets—to line up at least $10 billion through commercial banks and the IMF during 1983. [redacted]

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Barring an easing of conditions in international financial markets, OPEC governments will have to draw on the order of $35 billion in foreign assets to finance the remainder of their 1983 balance-of-payments needs. Saudi Arabia, because of its large current account deficit, will likely account for two-thirds of this drawdown with smaller declines being posted by Algeria, Indonesia, Iraq, Libya, Nigeria, and Venezuela. We expect Kuwait, the UAE, Qatar, and Iran to add minimally to foreign holdings, although, in the case of Kuwait, a continued bailout of bankrupt stock market investors and purchases by the government of local stock market issues to bolster prices could result in a net reduction in foreign assets by yearend.

We expect that most of the OPEC drawdown will be in liquid dollar-denominated assets, but we cannot rule out the disposal of corporate securities if market conditions are favorable.

We believe that the dollar drawdown will not significantly affect the US share of total OPEC assets. With large diversified financial markets and current high interest rates, the United States should maintain and could possibly increase its near-25-percent share of total OPEC foreign assets in 1983.

Implications of the OPEC Deficit

Financial Markets and International Debt. Most analysts believe that OPEC deficit spending and drawdown of assets are unlikely to destabilize international capital markets. Nonetheless, current payments problems of Nigeria, Venezuela, and Ecuador are contributing to the international debt problem by straining already tight IMF resources and increasing competition among LDCs for bank credit. Ecuador, Nigeria, Venezuela, and Iraq are seeking debt rescheduling and new credits from bankers and suppliers, and they have also requested funds from the IMF's Compensatory Financing Facility (CFF), which provides funds to members experiencing declines in primary export earnings judged to be largely beyond their control. According to press reports, IMF directors are considering whether an oil earnings shortfall qualifies under these conditions, but they are concerned mostly that expanded access to CFF funds would seriously reduce overall Fund liquidity. In addition, Ecuador is currently drawing IMF funds under a one-year standby arrangement, and Lagos has requested a three-year Extended Fund Facility loan. 25X1

These financial moves have shifted OPEC as a whole from being a net lender to the international financial system to a net borrower. Since 1974 Saudi Arabia, Kuwait, and the UAE have been the principal suppliers of capital to international financial markets. Government and private-sector analysts argue, however, that the reduced OPEC supply of credit will be matched by lower demand for credit by oil importers and by surpluses elsewhere, especially in Japan. 25X1

Trade and Services. The decline we project in real OPEC imports this year comes on top of severe cuts being taken by about 30 other financially troubled LDCs. This drop in LDC imports, in part, offsets the pickup in world trade that would accompany economic recovery in the United States and other industrial countries this year. Big Seven exports to OPEC began their drop in the second half of 1982, and first-quarter 1983 data showed a 15-percent nominal decline from the previous quarter. Japan and Italy are being hardest hit, largely because OPEC countries account for about 15 percent of their total exports. For the Big Seven as a whole, the steepest declines have been in sales to Ecuador, Venezuela, and Indonesia. For the United States, the largest decline has been in manufacturing and agricultural sales to Saudi Arabia. 25X1 25X1 25X1 25X1

Western contractors are also being hurt by the soft oil market as OPEC governments delay payments of fees and revise or cancel development projects. In order to cushion the Saudi business community from the effects of the oil revenue decline, Riyadh recently announced that 30 percent of new and recently signed contracts must be subcontracted to Saudi firms. The US Embassy estimates that Saudi Arabia is $6-10 billion behind in payments to Western contractors. According to press reports, Libya has incurred over $1 billion in arrearages to Italian and Turkish contractors since last year, while Iraq recently settled about

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Table 3
Big Seven: Exports to OPEC Countries [a]

Billion US $

	1981	1982					1983
		Total	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr
Big Seven	**96.6**	**93.5**	**23.9**	**24.4**	**21.7**	**23.5**	**20.0**
United States	21.5	22.8	5.7	5.9	5.6	5.6	4.5
Japan	22.8	21.7	5.2	5.7	5.1	5.7	5.0
West Germany	15.5	15.7	4.2	3.9	3.7	3.9	3.4
France	10.9	10.2	2.8	2.7	2.0	2.7	2.3
United Kingdom	11.1	10.3	2.7	2.7	2.3	2.6	2.1
Italy	12.8	10.7	2.9	2.9	2.3	2.6	2.3
Canada	2.0	2.2	0.5	0.6	0.6	0.5	0.3

[a] Data are from *IMF Direction of Trade* and are not seasonally adjusted.

[redacted] 25X1

half of its $1.7 billion debt due to French civilian and military contractors with 80,000 b/d of oil over the next year. [redacted]

Aid. The wealthy Gulf economies, traditionally large aid donors, are facing a trade-off between aid programs and domestic economic and, in the case of Saudi Arabia, military spending priorities. Based on first-half 1983 data, we expect OPEC aid to be $1.5-2.5 billion lower than last year:

- According to Embassy reports, although Riyadh has met its Baghdad Pact obligations and Kuwait has met some of its obligations, the UAE and Qatar are this year $150 million behind in their payments to Jordan, and Qatar has not made any payments to Syria.

- We also expect that additional Kuwaiti transfers to Syria made during the Lebanese fighting last year, which amounted to about $400 million, will not likely be made this year because of budgetary considerations and the lower level of hostilities.

- Saudi Arabia has stalled on its legal obligation to pay Jordan's debt to the United States for military equipment.

- We believe Iraq has received only about $1 billion in direct Gulf financial aid so far this year. We estimate aid in the form of Saudi and Kuwaiti oil sales to Iraqi customers—primarily the USSR and France—with payment to Iraqi accounts will be about $4 billion by yearend if current levels of sales, which we believe are in the 400,000- to 500,000-b/d range, continue throughout the year. During 1980-82 Gulf state interest-free loans to Iraq averaged over $7 billion annually. [redacted]

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We expect that LDCs less vital to the Gulf states' security will bear the brunt of reduced aid flows. According to press reports, in the first quarter of 1983 seven OPEC and Arab aid agencies, including the Saudi Development Fund and the Kuwait and Abu Dhabi Funds for Arab Economic Development, made project commitments of $494 million to 31 developing countries. This compares with $764 million in aid commitments during the first quarter of 1982. Somalia, Mauritania, and Senegal are having difficulty obtaining OPEC commitments, according to Embassy

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reporting, and Riyadh is withholding a decision on full Moroccan disbursements pending the completion of a new IMF agreement in September. For large OPEC aid recipients such as Morocco, Pakistan, and Bangladesh, it would only take a 20- to 40-percent decline in OPEC funds from last year's levels to offset benefits from lower oil import bills. In our judgment, it is likely that these countries, which are also allies of the United States, will call upon Washington to help make up any financing gaps. [redacted]

OPEC Political Influence. According to press reports [redacted] a number of Third World observers believe that the soft oil market already has eroded OPEC influence on Third World issues:

- The OPEC cartel's inability to control oil prices as it did in 1973/74 and 1979/80 has reduced its influence among LDCs that had hoped similar producer cartels could raise commodity prices and create a New International Economic Order.

- Financial pressures on Gulf states make it more difficult for them to support Iraqi war efforts indefinitely, and they raise the prospect that an Iranian victory or negotiated settlement entailing large compensation payments to Iran will boost Iranian regional power.

- We believe Saudi Arabia, in order to meet its security and foreign policy objectives, will try to maintain current aid flows to Middle Eastern LDCs. However, according to the Embassy, there is little public support for Saudi assistance programs, and competing financial demands could lead King Fahd to reduce aid disbursements if oil revenues remain depressed. [redacted]

Domestic Ramifications. The ability of individual OPEC countries to cope financially and politically with projected lower revenues at least through 1984 varies widely. Economic factors include the level of foreign exchange reserves, creditworthiness, and import requirements. Social and political factors revolve primarily around the ability of interest groups to influence government decisions. Tighter, centrally controlled governments such as Libya and Iran have more control over their economic and political systems than do the democratically elected governments of Nigeria, Venezuela, Ecuador, and Indonesia. The authority of the Gulf state rulers depends on maintaining the support of royal family members. [redacted] 25X1

OPEC Debtors. Ecuador, Nigeria, and Venezuela face the most serious repercussions because of their large populations, high import needs, and heavy debt service burdens. For these financially troubled governments, we believe that austerity measures and economic reforms necessary to bring spending under control present major political problems: 25X1

- Protests against economic reforms are occurring in Ecuador, and adherence to stringent IMF conditions under the agreement signed by President Hurtado will be difficult for the new government to be elected early next year. 25X1

- We believe that Venezuela's worsening economic plight assures a presidential victory by the opposition party in December. Although the Democratic Action Party has not formulated an economic program, its close ties to labor will seriously constrain its ability to undertake tough austerity measures leading to successful debt and credit negotiations with Western bankers and the IMF.

- We expect reelected Nigerian President Shagari to accept a strict IMF package later this year, which could provoke unrest by students, labor, and the growing pool of unemployed.

We are concerned that social unrest together with opposition parties' close ties to labor would lead to a backsliding on any adjustment programs and thereby 25X1 jeopardize new lending commitments these debtors may receive from bankers and the IMF. [redacted] 25X1

While, in our judgment, Indonesia currently does not have debt servicing problems, Jakarta could face a payments crunch later this year if nonoil exports fail to rebound. Moreover, Indonesia is vulnerable to any fallout in the region should the Philippines prove unable to meet its debt payments—the odds on which we estimate to be 50-50. President Soeharto will likely

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put financial considerations ahead of politics because, we believe, he is confident that the security apparatus is capable of quelling any outbursts of public anger. So far this year he has taken the politically unpopular measures of devaluing the rupiah by 28 percent and shelving or scaling down $21 billion in development projects. Opposition to the Soeharto regime has been muted, but the Embassy reports disaffection is growing even among loyalists in the bureaucracy. The possibility of anti-Chinese riots sparked by some minor incident is always present, and we believe current economic strains increase the danger that such riots could quickly develop an anti-Soeharto or antigovernment character. [redacted]

Algeria has weathered the oil glut thus far with generally sound economic policies and expanded sales of natural gas liquids and natural gas. Fiscal belt-tightening measures have included import cuts, currency restrictions, and restraint in international borrowing. With the continued decline in crude production and dwindling foreign exchange reserves, we expect Algeria will have to rely more heavily on foreign credits over the next few years. Algeria, which ranks among the top 12 largest LDC debtors, recently raised a $700 million Eurocurrency loan. Bankers could be less receptive to these financing needs, however, if—as some observers believe likely—gas production problems develop and limit the surge in gas exports expected during the period 1986-2000 by Algerian officials. [redacted]

The Gulf Producers. Sizable foreign assets will ease the financial impact of lower oil revenues in Saudi Arabia, Kuwait, the UAE, and Qatar. Nonetheless, faced with the prospects of a soft oil market over the medium term, we believe that these conservative governments will try to limit the asset drawdown by making politically difficult decisions on development spending and measures to raise nonoil revenues. Control over massive oil revenues has made governments the dominant promoters of activity in the Gulf economies over the past decade, and prospective budget cuts challenge this politically and socially stabilizing role. [redacted]

In managing their revenue shortfalls, the Gulf states must balance the interests of several groups. Urban populations have become addicted to consumerism, large numbers of civil servants enjoy generous salaries and benefits, and all citizens have come to expect free medical services, education opportunities, cheap housing, and inexpensive public services. Coming off an unprecedented three-year boom, businessmen will have to adjust to lower levels of government spending; those who fail to undertake better management practices and financial control could face insolvency, according to Embassy reports. Lastly, the needs of the poorer segments of the population in the remote desert areas will have to continue to be met. [redacted] 25X1

Of greatest importance, in our opinion, are the royal families' responses to an economic slowdown. Royal family members have competed for their share of development funds and are identified with certain projects and affiliated with large business interests. Economic stringency would affect their prestige and could spur jostling for heightened positions within the royal family hierarchy. In addition, the Gulf societies' acceptance of austerity and reduced economic expectations will be conditioned by royal family behavior; the Embassy in Jidda believes that King Fahd will have difficulty in projecting a more austere lifestyle. [redacted]

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In our judgment, the possibility that (a) oil revenues over the next decade could be substantially lower, (b) Iraqi war financing needs will continue, or (c) large Iranian compensation payments will be required will discourage Saudi Arabia from liquidating assets for very long at the rate of the $25 billion that we project for this year. For the first four months of the Saudi fiscal year, which began in April, the Saudi Finance Minister reports a 6-percent decline in expenditures from the previous fiscal year. [redacted]

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Kuwait, the UAE, and Qatar have also responded quickly to the revenue shortfall. Kuwait has lowered subsidies for food, energy, and utilities, trimmed non-Kuwaiti employment in the public sector, and raised import duties. In the UAE, most major projects not under way have been canceled, domestic oil prices have been raised, and, according to Embassy reports, plans to eliminate 1,700 foreigners from the federal payroll are under way. Kuwait, the UAE, and Qatar, unlike Saudi Arabia, have also delayed their Baghdad Pact aid obligations to Syria and Jordan, and according to Embassy reports the UAE and Qatar are considering reductions in their annual payments. Kuwait has cut off aid to the Arab Defense Forces in Lebanon. [redacted]

We believe the Kuwaiti Government is particularly loath to draw on its assets, which it expects will provide income for future generations once Kuwaiti oil is exhausted. To this end, the government places a large share of its surplus in longer term nonreserve investments and allocates at least 10 percent of annual revenues to an investment fund for future generations, which by law cannot be used for budgetary purposes until 2001. [redacted] We believe that cash flow problems are hampering government efforts to deal swiftly and effectively with last fall's stock market crash. The prolonged debate over how much the government should spend to bail out investors could soon have political repercussions, according to Embassy reporting, including the ouster of Minister of Finance Hamad, who has pursued a hardline policy concerning bailout of the largest investors. [redacted]

Iraq and Iran. The three-year-old Iraq-Iran conflict is the top economic and political priority of Baghdad and Tehran. Lower oil prices are particularly damaging to Iraq, which also suffers from depleted foreign reserves, war-related closure of export terminals, and possibly lower Gulf state financing this year. While direct assistance from the Gulf states should be sufficient to allow Iraq to continue the war, aid will fall short of overall Iraqi economic requirements. Growing economic pressures on Iraqi President Saddam Husayn, together with an enhanced military capability as delivery of French fighter aircraft takes place later this year, increase the probability that Iraq could take action to cut the flow of Iranian oil exports. In our judgment, Iraq probably hopes that such an escalation would prompt the major powers to become involved and force an end to the war or at least extract more money from other Gulf states. [redacted] 25X1

We believe much of Saddam's popular support has hinged on his ability to insulate consumers from the war. This year, however, Baghdad has been forced to raise taxes, conduct a campaign to collect contributions of gold from Iraqi women, and cut elementary school food programs. Most important, it has slashed imports of raw materials by two-thirds for private-sector industries, which produce domestic consumer goods. We believe a decline in supplies of basic necessities is likely to be a major political liability for the regime. [redacted] 25X1

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Iran is in a stronger economic position to wage a prolonged war of attrition. On the negative side, however, Iran, unlike Iraq, has less dependable suppliers of modern weapons. We believe that the war is no longer the politically unifying force it once was, and as a result the Khomeini regime will be under pressure to demonstrate economic progress and will move forward with its first five-year plan. Citing prerevolution production of over 5 million b/d and the import needs of its large population, Tehran is openly demanding an increased oil production quota once OPEC oil exports begin to pick up. [redacted] 25X1

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Libya and Gabon. In Libya's case, we believe that revenues will be sufficient for the basic commodity demands of its small population and for relatively high levels of economic and military aid to Syria, Ethiopia, and other traditional recipients, which averaged about $500 million in 1981 and in 1982. Prolonged support of Chadian dissidents at current levels, 25X1

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Oil Price History and Outlook

OPEC's unprecedented agreement in March 1983 to lower official prices by $5 per barrel was an inevitable accommodation to long-gathering market forces. Falling oil consumption, oil company reductions in large inventories, and increased non-OPEC oil supplies have substantially reduced the demand for OPEC oil since the 1979-80 OPEC price hikes. Between 1979 and 1982, OPEC exports dropped from 29.7 million barrels per day (including natural gas liquids) to 16.6 million b/d, with OPEC's share of the world oil market declining from near 60 percent to about 40 percent. These market forces put OPEC under severe pressure during the second half of 1982 to cut its official price of $34 per barrel; yet on three different occasions that year members failed to coordinate production and pricing policies. Discounting by OPEC members became prevalent, and, when the United Kingdom and Norway announced a reduction in their price to $30.50 per barrel last February, Nigeria broke OPEC ranks and followed with a reduction to $30 per barrel.

To avert a price war, OPEC members agreed to lower their official price to $29 per barrel last March. The London agreement also set an overall average OPEC production ceiling of 17.5 million b/d for the rest of the year and allocated individual production quotas for all members except Saudi Arabia, which was designated the swing producer to balance supply and demand. The oil ministers further agreed that new prices were to be considered as floors and individual quotas as ceilings. Price discounting and the dumping of oil onto the spot market were forbidden. 25X1

Despite July OPEC crude oil production of 18.2 million b/d, most observers believe that the prospects for price stability and OPEC discipline in observing the production ceiling of 17.5 million b/d are good. Since individual quotas are applied on a quarterly basis, countries producing above their ceilings can comply by reducing output in August and September. In July Nigeria was the worst offender, exceeding its quota by about 500,000 b/d, and the UAE was about 100,000 b/d above quota. After being called to task by the OPEC Monitoring Committee, Lagos reportedly has placed a ceiling on output to bring third-quarter 1973 production in line with its 1.3-million-b/d quota. If demand for OPEC oil picks up in the second half of 1983, a special ministerial meeting probably will be convened to discuss new quotas. 25X1 *Although spot prices for most OPEC crudes are now near official prices, we believe oil market conditions will preclude much larger price increases, barring a major disruption of supplies by increased Iran-Iraq hostilities. Surplus OPEC capacity is at least 7 million b/d, and potential exists for production increases by Iraq and Iran should they settle their three-year-old conflict.* 25X1

however, could aggravate domestic shortages and disaffection already present because of austerity measures enacted last year. In our view, Qadhafi can keep domestic unrest under control. Should financial strains become more acute in the months ahead, Libya could delay settlement of $1 billion in arrearages to Turkish and Italian contractors and build up arrearages to the USSR as it did last year. 25X1

We believe Gabon is in a strong position to weather this year's oil revenue decline. President Bongo is strong enough politically to continue prudent economic policies encouraged by three years of conservative financial management under an IMF stabilization program. Strong balance-of-payments surpluses over the past three years and systematic retirement of external debt offer the government the option of borrowing on international capital markets to cover selected project shortfalls. 25X1

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Appendix A

Projecting the OPEC Current Account

Methodology

Demand for OPEC Oil. In estimating 1983-84 OPEC oil exports, we have assumed average OECD economic growth of 2 percent this year and nearly 4 percent next year. In addition, we expect that the inventory adjustment process under way since early 1982 will be completed during the second half of 1983. Based on these assumptions, we project an increase in OPEC oil exports (including natural gas liquids) from 13.8 million b/d in the first half of 1983 to approximately 17 million b/d by yearend, with an average of 15 million b/d for the year. Next year we foresee oil exports averaging about 17 million b/d for the year. [redacted]

Allocation of Exports. We have assumed that the 13 OPEC members will generally maintain shares of OPEC exports they held during the first quarter of 1983. As a result, we calculate Saudi exports of 4.4 million b/d in 1983 and 5.1 million b/d in 1984, and combined Iranian and Iraqi exports of only 2.6 million b/d each year assuming the war continues at current levels. If the war ends, Iraq could boost exports by as much as 2 million b/d within six months. [redacted]

Oil Prices. Our calculations put the present weighted average price of a barrel of OPEC oil at $27.60, which we expect to hold over the next 16 months. Surplus OPEC capacity of at least 7 million b/d will provide a cushion against a moderate supply disruption and keep prices from significantly exceeding the current level. Increased Iraqi and Iranian exports would also put downward pressure on the current price. On the other hand, an escalation of the Iran-Iraq war that results in oil supply disruptions is likely to boost prices, particularly if the war spreads to other Gulf producers. [redacted]

Imports. Based on our analysis of trends in individual OPEC countries, we estimate that overall OPEC import volume will decline by 7 percent in 1983 and increase modestly by 2 percent in 1984. We have assumed a 2-percent rise in the dollar price of imports for 1983 and 3 percent in 1984. Past experience shows, however, that import projections are subject to wide error, largely because of unanticipated direct and indirect government intervention or shifts in the import propensity of the private sector. [redacted] 25X1

First-quarter trade data of OECD members with OPEC states plus country assessments of import commitments and needs provide the basis for our 1983 import projections. In addition, for those countries with very limited foreign exchange reserves and restricted access to credit because of payments problems, the growth in imports is largely constrained by the size of the current account deficit they can afford to finance; most of these countries have austerity measures in place. We estimate Ecuador, Nigeria, and Iraq will cut real imports by about 20 percent this year. Algeria, Indonesia, and Venezuela can make smaller import cutbacks because of larger foreign exchange reserves and new credits that we expect they will receive from bankers and the IMF. [redacted] 25X1

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For the surplus countries, real imports for the year could be lower than first-quarter data indicate as officials move to deal with the revenue shortfall. In the case of Saudi Arabia, we have allowed 2-percent real import growth based on first-half 1983 trade data from the Embassy, but imports could readily be cut back if Saudi officials act on proposals to cut military and development spending. Trade data also give us our estimate of an 8-percent import cut for Kuwait and the UAE. Despite continued import controls, we believe Libya will allow a modest pickup in imports following last year's dramatic 38-percent decline. Iran after two years of import austerity is boosting imports this year, which we calculate will be 21 percent higher than last year. Western observers have already noted increased quantities of imported consumer goods. [redacted] 25X1

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Investment Income. We assume that for 1983 and 1984 earnings on foreign investment will average 10 percent of the total value of each country's asset holdings. Most forecasters expect world interest rates to fall only slightly in 1984.

Sensitivity Factors. The most sensitive variables in our current account projections are oil export volume and prices—even small changes in these elements result in large shifts in the overall balance. In constrast, the current account balance is much less sensitive to changes in OPEC import rates. For example:

- A 1-million-b/d change in annual oil export volume changes the current account balance by $10 billion.
- Each dollar change in the yearly average oil price changes the current account by more than $5 billion.
- A 1-percentage-point change in OECD GNP growth alters demand for OPEC oil by 700,000 b/d, worth about $7 billion at current prices.
- Each 1-percentage-point change in OPEC's import volume or import prices, however, would alter the current account balance by only $1.1 billion.

The Estimates

Under the above assumptions, we project a record current account deficit of $29 billion in 1983 and a 1984 deficit near $23 billion. The 1983 OPEC trade surplus will reach a 10-year low of $29 billion, with Saudi Arabia, Kuwait, and the UAE absorbing 77 percent of the $41 billion decline in oil export earnings. Official statistics show that Riyadh's trade account slid $290 million into the red during the first-quarter of 1983, the first trade deficit since at least 1970, and in sharp contrast to a $6.7 billion trade surplus the previous quarter. We are projecting a $2 billion decline in OPEC grant aid this year.

We project that the OPEC deficit on the net services account will widen to $52 billion largely because of lower earnings on official foreign assets. We calculate that official investment income will decline by $5 billion to reach $30 billion this year largely because of reduced holdings abroad as reserves are drawn down to finance deficits. We estimate that Venezuela, Ecuador, Nigeria, Algeria, and Indonesia owe about $10 billion in interest on their foreign debt this year, slightly less than last year because of lower interest rates. Based on first-quarter data for South Asian remittances, which show a slight increase over the previous quarter, we expect private remittances by all foreign workers to remain about the same. We calculate that Iran's pickup in government spending will nearly offset smaller outflows in services this year by other OPEC members.

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Table A-1 *Million b/d*
OPEC: Crude Oil Production, 1982-83

	1982	1983			
		Quarterly Quota	1st Qtr	2nd Qtr	July [a]
Total	**18.8**	**17.5**	**15.9**	**16.7**	**18.2**
Algeria	0.6	0.725	0.7	0.7	0.6
Ecuador	0.2	0.2	0.2	0.2	0.2
Gabon	0.2	0.15	0.2	0.2	0.2
Indonesia	1.3	1.3	1.1	1.4	1.3
Iran	2.3	2.4	2.6	2.3	2.4
Iraq	1.0	1.2 [b]	0.8	0.9	0.9
Kuwait	0.7	1.05	0.8	0.7	0.9
Libya	1.2	1.1	1.3	1.1	1.1
Neutral Zone	0.3	[c]	0.2	0.4	0.5
Nigeria	1.3	1.3	0.8	1.4	1.8
Qatar	0.3	0.3	0.2	0.3	0.3
Saudi Arabia	6.3	5.0 [d]	3.9	4.4	5.1
UAE	1.2	1.1	1.2	1.2	1.2
Venezuela	1.9	1.675	2.0	1.7	1.7

[a] Preliminary.
[b] Crude sold to Iraqi customers by Saudi Arabia and Kuwait totaling at least 300,000 b/d is being charged against Iraq's quota.
[c] Neutral Zone production is shared about equally between Saudi Arabia and Kuwait and is included in each country's production quota.
[d] Saudi Arabia has no formal quota; it will act as swing producer to meet market requirements.

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Table A-2 *Percentage change*
OPEC: Import Volume Growth, 1981-83

	1981	1982 [a]	1983 [b]
Total	**25.7**	**1.8**	**−6.9**
Algeria	16.3	−7.5	−5.0
Ecuador	7.1	−16.3	−20.0
Gabon	23.6	−8.9	−16.0
Indonesia	30.7	9.2	−7.6
Iran	7.3	−5.2	21.3
Iraq	65.4	0.6	−18.6
Kuwait	6.8	10.0	−8.5
Libya	55.5	−38.4	2.0
Nigeria	17.0	−19.9	−23.8
Qatar	21.1	26.6	−13.5
Saudi Arabia	23.6	16.3	1.9
UAE	17.6	3.7	−8.8
Venezuela	8.7	1.7	−11.6

[a] Estimated.
[b] Projected.

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Table A-3
OPEC: Imports (f.o.b)

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Total	**38.0**	**58.9**	**73.5**	**89.8**	**104.4**	**105.8**	**130.6**	**157.9**	**150.5**	**142.7**	**149.6**
Algeria	4.1	5.6	5.3	7.5	8.2	8.2	10.3	11.0	10.0	9.5	9.8
Ecuador	0.9	1.0	1.1	1.4	1.7	2.1	2.2	2.4	2.2	1.7	1.7
Gabon	0.4	0.6	0.6	0.7	0.6	0.6	0.7	0.8	0.7	0.6	0.7
Indonesia	4.6	5.5	6.8	7.5	8.4	9.3	12.6	16.6	17.5	16.5	16.5
Iran	7.3	12.9	16.0	15.8	17.8	7.8	10.7	10.8	9.7	12.0	13.3
Iraq	3.5	6.1	5.8	6.2	7.4	11.9	12.8	20.1	19.4	16.1	15.0
Kuwait	1.6	2.4	3.3	4.7	4.3	4.9	6.8	7.1	7.5	7.0	8.0
Libya	3.7	4.6	5.1	5.8	7.0	9.5	10.6	15.4	9.0	9.0	10.5
Nigeria	2.5	5.5	7.5	9.7	11.5	10.5	16.0	17.5	13.5	10.5	11.0
Qatar	0.3	0.5	0.9	1.1	1.1	1.3	1.2	1.4	1.7	1.5	1.6
Saudi Arabia	3.6	6.0	10.4	14.7	20.0	23.5	28.2	34.0	38.5	39.3	40.5
UAE	1.7	2.7	3.4	4.5	5.2	6.1	7.6	8.6	8.6	8.0	9.0
Venezuela	3.9	5.5	7.3	10.2	11.2	10.0	10.9	12.1	12.2	11.0	12.0

[a] Estimated.
[b] Projected.

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Table A-4
OPEC: Crude and Natural Gas Liquids Production [a]

Thousand b/d

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 [b]	1984 [b]
Total	**31,060**	**27,545**	**31,165**	**31,890**	**30,325**	**31,469**	**27,801**	**23,465**	**19,788**	**18,510**	**20,700**
Algeria	1,010	1,025	1,085	1,170	1,265	1,275	1,203	977	913	1,000	1,200
Ecuador	175	160	185	185	205	215	222	212	207	200	200
Gabon	200	225	225	220	210	205	175	148	148	160	200
Indonesia	1,375	1,305	1,515	1,695	1,665	1,630	1,625	1,660	1,373	1,400	1,600
Iran	6,065	5,395	5,930	5,705	5,245	3,045	1,674	1,349	2,300	2,500	2,600
Iraq	1,970	2,260	2,415	2,500	2,520	3,445	2,526	1,006	981	850	900
Kuwait	2,595	2,135	2,195	2,025	2,170	2,622	1,804	1,199	854	900	1,200
Libya	1,540	1,505	1,975	2,105	2,015	2,105	1,834	1,143	1,191	1,400	1,500
Nigeria	2,255	1,785	2,070	2,085	1,895	2,305	2,057	1,432	1,295	1,300	1,500
Qatar	525	450	505	450	485	515	484	419	346	300	300
Saudi Arabia	8,610	7,215	8,760	9,415	8,545	9,807	10,220	10,199	6,945	5,250	6,000
UAE	1,680	1,665	1,935	2,015	1,860	1,865	1,745	1,552	1,288	1,250	1,300
Venezuela	3,060	2,420	2,370	2,320	2,245	2,435	2,232	2,169	1,947	2,000	2,200

[a] Neutral Zone production has been divided equally between Kuwait and Saudi Arabia.
[b] Projected.

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Table A-5
OPEC: Petroleum Exports [a]

Thousand b/d

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 [b]	1984 [b]
Total	**29,405**	**25,875**	**29,248**	**29,678**	**27,916**	**28,653**	**24,920**	**20,390**	**16,601**	**15,005**	**16,988**
Algeria	951	954	1,002	1,076	1,170	1,159	1,083	849	889	854	1,045
Ecuador	142	121	141	134	143	145	148	119	107	92	85
Gabon	183	213	203	195	183	176	144	116	114	124	163
Indonesia	1,163	1,081	1,266	1,398	1,319	1,271	1,220	1,198	891	907	1,089
Iran	5,627	4,954	5,438	5,139	4,672	2,504	1,090	826	1,783	1,931	2,015
Iraq	1,882	2,158	2,292	2,360	2,356	3,259	2,314	796	750	602	640
Kuwait	2,506	2,040	2,093	1,921	2,061	2,495	1,693	1,071	701	737	1,025
Libya	1,503	1,458	1,920	2,038	1,942	2,017	1,740	1,039	1,085	1,284	1,373
Nigeria	2,199	1,716	1,979	1,971	1,761	2,148	1,883	1,228	1,087	1,089	1,277
Qatar	522	445	499	442	477	506	475	408	334	289	288
Saudi Arabia	8,261	6,933	8,409	9,008	8,102	9,082	9,627	9,531	6,160	4,415	5,080
UAE	1,673	1,643	1,903	1,967	1,804	1,807	1,663	1,449	1,177	1,113	1,152
Venezuela	2,793	2,159	2,102	2,030	1,926	2,085	1,839	1,760	1,524	1,569	1,756

[a] Includes natural gas liquids.
[b] Projected.

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Table A-6
Algeria: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**5.3**	**4.9**	**5.3**	**5.9**	**6.6**	**9.5**	**15.9**	**13.5**	**12.4**	**11.8**	**13.5**
Oil	4.7	4.2	4.8	5.6	6.0	8.8	14.9	12.3	10.7	8.9	10.7
Nonoil	0.6	0.6	0.5	0.3	0.5	0.7	1.0	1.2	1.7	2.9	2.9
Imports (f.o.b.)	**4.1**	**5.6**	**5.3**	**7.5**	**8.2**	**8.2**	**10.3**	**11.0**	**10.0**	**9.5**	**9.8**
Trade balance	**1.2**	**−0.7**	**0**	**−1.6**	**−1.6**	**1.2**	**5.6**	**2.4**	**2.4**	**2.3**	**3.7**
Net services	**−0.5**	**−0.8**	**−1.6**	**−2.4**	**−2.8**	**−3.3**	**−3.8**	**−4.1**	**−4.8**	**−4.7**	**−4.9**
Freight and insurance	−0.4	−0.7	−0.6	−0.9	−1.0	−1.0	−1.2	−1.3	−1.2	−1.1	−1.2
Investment income [c]	0.1	0.1	0.1	0.2	0.2	0.5	0.7	0.8	0.6	0.4	0.3
Other [d]	−0.2	−0.3	−1.1	−1.7	−2.0	−2.8	−3.3	−3.6	−4.2	−4.0	−4.0
Grants	**−0.1**	**0**	**0**	**0**	**0**	**−0.1**	**−0.1**	**−0.1**	**−0.1**	**−0.1**	**−0.1**
Current account balance	**0.6**	**−1.6**	**−1.6**	**−4.0**	**−4.4**	**−2.2**	**1.7**	**−1.7**	**−2.5**	**−2.5**	**−1.2**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-7
Ecuador: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**1.0**	**0.9**	**1.1**	**1.4**	**1.6**	**2.2**	**3.0**	**2.5**	**2.3**	**2.0**	**2.0**
Oil	0.6	0.5	0.6	0.6	0.6	1.1	1.8	1.5	1.3	0.9	0.8
Nonoil	0.4	0.4	0.6	0.8	1.0	1.1	1.2	1.0	1.0	1.1	1.2
Imports (f.o.b.)	**0.9**	**1.0**	**1.1**	**1.4**	**1.7**	**2.1**	**2.2**	**2.4**	**2.2**	**1.7**	**1.7**
Trade balance	**0.1**	**−0.1**	**0**	**0**	**−0.1**	**0.1**	**0.8**	**0.1**	**0.1**	**0.3**	**0.3**
Net services	**−0.2**	**−0.3**	**−0.3**	**−0.4**	**−0.5**	**−0.7**	**−0.9**	**−1.3**	**−1.4**	**−1.3**	**−1.3**
Freight and insurance	−0.1	−0.1	−0.1	−0.2	−0.2	−0.3	−0.3	−0.3	−0.3	−0.2	−0.2
Investment income [c]	0	0	0	0	0.1	0.1	0.1	0.1	0.1	0	0
Other [d]	−0.1	−0.2	−0.2	−0.3	−0.3	−0.5	−0.8	−1.1	−1.2	−1.1	−1.1
Grants	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account balance	**−0.1**	**−0.4**	**−0.3**	**−0.5**	**−0.6**	**−0.6**	**−0.2**	**−1.2**	**−1.3**	**−1.0**	**−1.0**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

25X1

Table A-8
Gabon: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**0.8**	**1.0**	**1.1**	**1.2**	**1.1**	**1.5**	**2.0**	**1.7**	**1.6**	**1.6**	**2.0**
Oil	0.5	0.8	0.8	0.8	0.8	1.0	1.4	1.3	1.2	1.1	1.4
Nonoil	0.2	0.3	0.3	0.4	0.4	0.5	0.6	0.4	0.4	0.5	0.6
Imports (f.o.b.)	**0.4**	**0.6**	**0.6**	**0.7**	**0.6**	**0.6**	**0.7**	**0.8**	**0.7**	**0.6**	**0.7**
Trade balance	**0.4**	**0.4**	**0.4**	**0.5**	**0.6**	**0.9**	**1.3**	**0.9**	**0.9**	**1.0**	**1.3**
Net services	**−0.3**	**−0.5**	**−0.5**	**−0.5**	**−0.6**	**−0.9**	**−0.7**	**−0.7**	**−0.7**	**−0.8**	**−1.0**
Freight and insurance	0	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1
Investment income [c]	0	0	0	0	0	0	0	0	0	0	0
Other [d]	−0.3	−0.4	−0.5	−0.5	−0.5	−0.8	−0.7	−0.6	−0.7	−0.8	−0.9
Grants	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account balance	**0.1**	**0**	**0**	**0.1**	**0**	**0.1**	**0.6**	**0.2**	**0.3**	**0.2**	**0.4**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-9
Indonesia: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**6.4**	**6.1**	**7.6**	**9.8**	**10.1**	**14.8**	**21.5**	**21.5**	**17.4**	**16.4**	**19.0**
Oil	4.2	4.2	5.1	6.3	5.9	7.9	13.1	14.7	10.9	9.6	11.3
Nonoil	2.2	1.8	2.5	3.5	4.2	6.9	8.4	6.8	6.5	6.8	7.7
Imports (f.o.b.)	**4.6**	**5.5**	**6.8**	**7.5**	**8.4**	**9.3**	**12.6**	**16.6**	**17.5**	**16.5**	**16.5**
Trade balance	**1.8**	**0.6**	**0.8**	**2.3**	**1.7**	**5.5**	**8.9**	**4.9**	**−0.1**	**−0.1**	**2.5**
Net services	**−1.1**	**−1.6**	**−2.2**	**−2.5**	**−3.0**	**−3.5**	**−3.9**	**−4.5**	**−5.2**	**−5.2**	**−5.4**
Freight and insurance	−0.6	−0.7	−0.9	−1.0	−1.0	−1.1	−1.5	−1.9	−2.1	−2.0	−2.0
Investment income [c]	0.1	0.1	0.1	0.1	0.2	0.3	0.6	0.8	0.6	0.3	0.1
Other [d]	−0.6	−0.9	−1.4	−1.6	−2.2	−2.7	−3.0	−3.4	−3.7	−3.5	−3.6
Grants	**0**	**0**	**0**	**0**	**0**	**0**	**0.1**	**0.1**	**0.2**	**0.2**	**0.1**
Current account balance	**0.7**	**−0.9**	**−1.4**	**−0.1**	**−1.3**	**2.1**	**5.1**	**0.5**	**−5.1**	**−5.1**	**−2.8**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-10
Iran: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**21.6**	**20.0**	**23.3**	**24.2**	**21.7**	**21.0**	**13.4**	**11.4**	**19.2**	**20.5**	**21.3**
Oil	20.8	19.3	22.5	23.5	21.2	20.2	12.8	10.9	18.6	19.8	20.6
Nonoil	0.8	0.8	0.9	0.7	0.4	0.8	0.6	0.5	0.7	0.7	0.7
Imports (f.o.b.)	**7.3**	**12.9**	**16.0**	**15.8**	**17.8**	**7.8**	**10.7**	**10.8**	**9.7**	**12.0**	**13.3**
Trade balance	**14.3**	**7.1**	**7.3**	**8.4**	**3.9**	**13.2**	**2.7**	**0.6**	**9.5**	**8.5**	**8.0**
Net services	**−1.3**	**−2.4**	**−2.8**	**−2.8**	**−3.4**	**−1.0**	**−2.4**	**−3.3**	**−3.1**	**−4.3**	**−4.4**
Freight and insurance	−0.9	−1.7	−2.2	−1.9	−2.4	−1.1	−2.7	−3.2	−2.4	−2.4	−2.7
Investment income [c]	0.5	0.6	0.8	1.0	1.3	2.1	2.3	1.8	1.2	1.5	1.8
Other [d]	−0.9	−1.3	−1.4	−1.9	−2.4	−2.0	−2.0	−1.9	−1.9	−3.4	−3.6
Grants	**−0.1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account balance	**12.9**	**4.6**	**4.5**	**5.6**	**0.5**	**12.1**	**0.3**	**−2.7**	**6.4**	**4.2**	**3.6**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-11
Iraq: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**7.1**	**8.6**	**9.9**	**11.1**	**11.2**	**22.4**	**25.3**	**11.0**	**9.7**	**7.0**	**7.3**
Oil	7.0	8.5	9.7	11.0	10.9	22.2	25.2	10.8	9.5	6.7	7.0
Nonoil	0.1	0.1	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.3	0.3
Imports (f.o.b.)	**3.5**	**6.1**	**5.8**	**6.2**	**7.4**	**11.9**	**12.8**	**20.1**	**19.4**	**16.1**	**15.0**
Trade balance	**3.6**	**2.5**	**4.1**	**5.0**	**3.8**	**10.6**	**12.5**	**−9.1**	**−9.7**	**−9.1**	**−7.7**
Net services	**−0.7**	**−1.1**	**−1.8**	**−2.1**	**−2.3**	**−2.5**	**−3.2**	**−6.0**	**−7.1**	**−5.8**	**−5.8**
Freight and insurance	−0.4	−0.9	−0.9	−1.0	−1.2	−1.8	−2.0	−4.0	−3.5	−2.4	−2.2
Investment income [c]	0.2	0.2	0.2	0.4	0.6	1.4	2.7	3.2	1.6	0.6	0.1
Other [d]	−0.5	−0.4	−1.2	−1.5	−1.7	−2.1	−3.9	−5.2	−5.2	−4.0	−3.7
Grants	**−0.2**	**−0.3**	**−0.1**	**0**	**−0.2**	**−0.5**	**−1.7**	**−2.0**	**−1.0**	**0**	**0**
Current account balance	**2.7**	**1.1**	**2.2**	**2.8**	**1.4**	**7.6**	**7.6**	**−17.1**	**−17.8**	**−14.9**	**−13.6**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-12
Kuwait: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**9.1**	**8.3**	**9.3**	**9.3**	**10.0**	**17.8**	**20.2**	**15.8**	**10.3**	**9.4**	**12.1**
Oil	8.7	7.7	8.5	8.5	9.2	16.7	18.7	13.7	8.2	7.4	10.1
Nonoil	0.4	0.6	0.7	0.8	0.8	1.1	1.5	2.1	2.1	2.0	2.0
Imports (f.o.b.)	**1.6**	**2.4**	**3.3**	**4.7**	**4.3**	**4.9**	**6.8**	**7.1**	**7.5**	**7.0**	**8.0**
Trade balance	**7.5**	**5.9**	**6.0**	**4.6**	**5.7**	**13.0**	**13.4**	**8.7**	**2.8**	**2.4**	**4.1**
Net services	**0.3**	**0.1**	**0.2**	**0.1**	**0.4**	**1.9**	**2.7**	**3.5**	**3.5**	**3.2**	**2.8**
Freight and insurance	−0.2	−0.3	−0.4	−0.7	−0.6	−0.6	−1.0	−1.1	−1.0	−0.8	−1.0
Investment income [c]	0.8	0.7	1.0	1.3	2.0	3.5	5.2	5.9	6.2	5.9	5.9
Other [d]	−0.3	−0.3	−0.3	−0.5	−1.0	−1.0	−1.6	−1.4	−1.7	−1.9	−2.1
Grants	**−1.5**	**−0.8**	**−0.2**	**−0.9**	**−0.8**	**−0.8**	**−0.9**	**−0.9**	**−1.0**	**−1.0**	**−1.0**
Current account balance	**6.3**	**5.2**	**6.0**	**3.8**	**5.3**	**14.1**	**15.2**	**11.3**	**5.3**	**4.5**	**6.0**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-13
Libya: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**6.9**	**6.2**	**8.6**	**10.3**	**9.7**	**15.3**	**22.8**	**15.2**	**13.6**	**13.3**	**13.9**
Oil	6.9	6.1	8.6	10.3	9.7	15.3	22.8	15.2	13.6	13.3	13.9
Nonoil	0	0	0	0	0	0	0	0	0	0	0
Imports (f.o.b.)	**3.7**	**4.6**	**5.1**	**5.8**	**7.0**	**9.5**	**10.6**	**15.4**	**9.0**	**9.0**	**10.5**
Trade balance	**3.2**	**1.6**	**3.5**	**4.5**	**2.7**	**5.8**	**12.2**	**−0.2**	**4.6**	**4.3**	**3.4**
Net services	**−1.2**	**−1.3**	**−1.4**	**−1.9**	**−1.7**	**−1.8**	**−1.5**	**−3.1**	**−3.0**	**−4.1**	**−4.8**
Freight and insurance	−0.5	−0.5	−0.6	−0.6	−0.8	−1.1	−1.3	−1.8	−1.1	−1.1	−1.3
Investment income [c]	0.3	0.2	0.2	0.3	0.4	0.8	1.3	1.7	1.3	0.7	0.5
Other [d]	−1.0	−1.0	−1.0	−1.6	−1.3	−1.5	−1.6	−2.9	−3.2	−3.8	−4.0
Grants	**−0.2**	**−0.1**	**−0.1**	**−0.2**	**−0.2**	**−0.2**	**−0.3**	**−0.4**	**−0.5**	**−0.5**	**−0.5**
Current account balance	**1.8**	**0.1**	**2.1**	**2.4**	**0.8**	**3.8**	**10.4**	**−3.7**	**1.1**	**−0.3**	**−1.9**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-14
Nigeria: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**9.6**	**7.7**	**9.8**	**10.9**	**9.7**	**17.0**	**25.1**	**17.4**	**14.3**	**11.9**	**13.9**
Oil	8.9	7.1	9.1	10.1	8.7	15.9	24.1	17.1	14.0	11.5	13.4
Nonoil	0.7	0.6	0.7	0.8	1.0	1.1	1.0	0.3	0.3	0.4	0.5
Imports (f.o.b.)	**2.5**	**5.5**	**7.5**	**9.7**	**11.5**	**10.5**	**16.0**	**17.5**	**13.5**	**10.5**	**11.0**
Trade balance	**7.1**	**2.2**	**2.3**	**1.3**	**−1.8**	**6.4**	**9.1**	**−0.1**	**0.8**	**1.4**	**2.9**
Net services	**−1.7**	**−2.7**	**−3.8**	**−3.8**	**−3.2**	**−4.0**	**−5.0**	**−4.7**	**−4.4**	**−3.5**	**−3.9**
Freight and Insurance	−0.2	−0.8	−2.0	−1.7	−1.7	−1.5	−2.1	−2.3	−1.8	−1.4	−1.4
Investment income [c]	0.3	0.3	0.3	0.3	0.2	0.4	0.9	0.9	0.4	0.1	0
Other [d]	−1.8	−2.2	−2.1	−2.4	−1.7	−3.0	−3.8	−3.4	−3.0	−2.2	−2.5
Grants	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account balance	**5.4**	**−0.5**	**−1.5**	**−2.5**	**−5.0**	**2.4**	**4.2**	**−4.9**	**−3.6**	**−2.0**	**−1.0**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-15
Qatar: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**2.0**	**1.9**	**2.4**	**2.4**	**2.5**	**4.0**	**5.9**	**5.9**	**4.7**	**3.7**	**3.6**
Oil	1.9	1.8	2.1	2.1	2.2	3.7	5.5	5.5	4.2	3.2	3.1
Nonoil	0	0.1	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Imports (f.o.b.)	**0.3**	**0.5**	**0.9**	**1.1**	**1.1**	**1.3**	**1.2**	**1.4**	**1.7**	**1.5**	**1.6**
Trade balance	**1.7**	**1.4**	**1.6**	**1.2**	**1.4**	**2.6**	**4.7**	**4.5**	**3.0**	**2.2**	**2.0**
Net services	**−0.2**	**−0.3**	**−0.3**	**−0.4**	**−0.3**	**−0.1**	**0**	**0.2**	**0.2**	**0.4**	**0.4**
Freight and Insurance	−0.1	−0.1	−0.1	−0.2	−0.2	−0.2	−0.2	−0.2	−0.3	−0.2	−0.2
Investment income [c]	0.1	0.1	0.2	0.2	0.3	0.5	0.9	1.4	1.5	1.6	1.7
Other [d]	−0.2	−0.3	−0.3	−0.4	−0.4	−0.5	−0.7	−0.9	−1.0	−1.0	−1.1
Grants	**−0.1**	**−0.2**	**−0.1**	**−0.1**	**0**	**−0.2**	**−0.3**	**−0.4**	**−0.6**	**−0.6**	**−0.6**
Current account balance	**1.4**	**0.8**	**1.2**	**0.7**	**1.1**	**2.3**	**4.4**	**4.4**	**2.6**	**2.0**	**1.8**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-16
Saudi Arabia: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b)	**30.3**	**26.7**	**34.7**	**39.7**	**36.6**	**56.6**	**98.8**	**109.9**	**72.8**	**44.7**	**50.6**
Oil	30.2	26.6	34.6	39.6	36.5	56.4	98.6	109.7	72.6	44.3	50.2
Nonoil	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.4	0.4
Imports (f.o.b)	**3.6**	**6.0**	**10.4**	**14.7**	**20.0**	**23.5**	**28.2**	**34.0**	**38.5**	**39.3**	**40.5**
Trade balance	**26.8**	**20.7**	**24.4**	**25.0**	**16.6**	**33.1**	**70.5**	**75.9**	**34.3**	**5.4**	**10.1**
Net services	**−0.2**	**−2.4**	**−5.7**	**−8.1**	**−14.3**	**−16.8**	**−17.5**	**−14.2**	**−14.6**	**−16.1**	**−18.4**
Freight and insurance	−0.4	−0.9	−2.1	−2.9	−3.4	−4.0	−5.1	−6.1	−6.9	−7.1	−7.3
Investment income [c]	1.1	1.7	2.6	3.3	4.1	6.0	8.6	14.1	16.0	14.1	12.1
Other [d]	−1.0	−3.2	−6.3	−8.4	−15.0	−18.8	−21.0	−22.1	−23.7	−23.2	−23.2
Grants	**−1.0**	**−3.1**	**−3.3**	**−3.9**	**−3.9**	**−3.5**	**−4.2**	**−4.8**	**−5.3**	**−4.0**	**−4.0**
Current account balance	**25.5**	**15.1**	**15.3**	**13.1**	**−1.6**	**12.8**	**48.8**	**56.9**	**14.4**	**−14.7**	**−12.2**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-17
United Arab Emirates: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b)	**7.4**	**7.2**	**8.9**	**10.0**	**9.6**	**13.8**	**20.0**	**20.3**	**16.2**	**13.6**	**13.7**
Oil	7.0	6.6	8.1	9.0	8.5	12.6	18.7	18.9	14.6	12.1	12.2
Nonoil	0.4	0.6	0.8	1.0	1.1	1.2	1.3	1.4	1.6	1.5	1.5
Imports (f.o.b)	**1.7**	**2.7**	**3.4**	**4.5**	**5.2**	**6.1**	**7.6**	**8.6**	**8.6**	**8.0**	**9.0**
Trade balance	**5.7**	**4.5**	**5.5**	**5.5**	**4.4**	**7.7**	**12.4**	**11.7**	**7.6**	**5.6**	**4.7**
Net services	**−1.3**	**−0.9**	**−1.3**	**−2.5**	**−2.5**	**−2.3**	**−2.8**	**−2.6**	**−2.6**	**−3.2**	**−3.3**
Freight and insurance	−0.2	−0.4	−0.4	−0.8	−0.8	−0.8	−1.0	−1.1	−1.1	−1.0	−1.1
Investment income [c]	0.3	0.3	0.5	0.7	1.0	1.6	2.4	3.6	3.7	3.6	3.6
Other [d]	−1.3	−0.9	−1.4	−2.4	−2.7	−3.1	−4.2	−5.1	−5.2	−5.8	−5.9
Grants	**−0.5**	**−0.4**	**−0.4**	**−0.8**	**−0.4**	**−1.0**	**−1.7**	**−1.1**	**−0.9**	**−0.9**	**−0.9**
Current account balance	**3.9**	**3.1**	**3.9**	**2.2**	**1.5**	**4.4**	**7.9**	**8.0**	**4.1**	**1.5**	**0.5**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Table A-18
Venezuela: Current Account

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982 [a]	1983 [b]	1984 [b]
Exports (f.o.b.)	**10.7**	**8.7**	**8.2**	**9.9**	**9.4**	**13.8**	**18.8**	**20.5**	**16.2**	**16.1**	**17.9**
Oil	10.1	8.2	7.7	9.4	9.0	13.1	17.9	19.4	15.3	15.1	16.7
Nonoil	0.5	0.5	0.5	0.4	0.5	0.7	1.0	1.1	0.9	1.0	1.2
Imports (f.o.b.)	**3.9**	**5.5**	**7.3**	**10.2**	**11.2**	**10.0**	**10.9**	**12.1**	**12.2**	**11.0**	**12.0**
Trade balance	**6.7**	**3.2**	**0.9**	**−0.3**	**−1.8**	**3.8**	**8.0**	**8.4**	**4.0**	**5.1**	**5.9**
Net services	**−0.8**	**−1.0**	**−1.7**	**−2.6**	**−3.9**	**−4.0**	**−4.0**	**−5.9**	**−6.1**	**−6.3**	**−6.9**
Freight and insurance	−0.4	−0.6	−0.8	−0.9	−1.2	−1.1	−0.9	−1.2	−1.2	−1.1	−1.2
Investment income [c]	0.4	0.5	0.6	0.6	0.7	1.2	1.6	1.7	1.5	1.1	0.8
Other [d]	−0.8	−0.9	−1.5	−2.3	−3.4	−4.1	−4.7	−6.4	−6.4	−6.3	−6.5
Grants	**−0.1**	**0**	**−0.1**	**−0.1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account balance	**5.9**	**2.2**	**−0.9**	**−3.0**	**−5.7**	**−0.2**	**3.9**	**2.4**	**−2.2**	**−1.3**	**−1.0**

[a] Estimated.
[b] Projected.
[c] Represents earnings on official foreign assets only.
[d] Includes debt service payments, worker remittances, and other service payments.

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Appendix B

OPEC Official Foreign Assets

Profile of OPEC Portfolio at Yearend 1982
We estimate that, based on balance-of-payments data, total OPEC official foreign assets reached a record $333 billion in the third quarter of 1982 before declining slightly in the fourth quarter to a yearend level of $330 billion. The composition of yearend 1982 assets primarily reflects investment decisions made by the surplus Gulf states—Saudi Arabia, Kuwait, the UAE, and Qatar—in 1980-82 when they realized substantial new surplus funds as a result of the 1979-80 price increases. We estimate that these four countries held close to 85 percent of total OPEC official foreign assets last year with close to 80 percent of their holdings in medium- and long-term assets. Eight OPEC members, however, drew down their assets last year by a total of over $20 billion; Iraq drew down the most—$13 billion.

Type of Assets. Since 1979 the OPEC asset mix has shifted markedly in favor of nonreserve assets because of increased loans, especially to Iraq, new equity investments, particularly by Kuwait, and drawdowns in foreign exchange reserves by Iran, Iraq, Nigeria, and Venezuela.[2] Nonreserve assets—consisting of corporate securities, real estate holdings, and other relatively illiquid assets—accounted for at least 38 percent of the total OPEC portfolio at yearend 1982, including funds invested by Kuwait and the UAE through investment accounts. This compares to a nonreserve asset share of 27 percent in 1979:

- We estimate that Saudi Arabia, Kuwait, the UAE, and Qatar held corporate securities in excess of $67 billion at yearend 1982. This accounts for about 20 percent of all OPEC official assets.

- About 4 percent of the official OPEC portfolio was invested in real estate and other direct investments, such as Santa Fe International, which is 100 percent owned by the Kuwait Petroleum Corporation, and Fiat, which is over 30 percent owned by the Libyan Arab Foreign Investment Company.

- About 15 percent of the OPEC portfolio was represented by loans to LDCs and Iraq. 25X1

Reserve assets consisting of bank deposits, gold, special drawing rights (SDRs), positions in the IMF, and government securities held outside of Kuwait and UAE investment accounts made up at least 44 percent of the OPEC foreign asset portfolio at yearend 1982. Among individual producers, Algeria, Ecuador, Indonesia, Iraq, Nigeria, and Venezuela hold practically all their surplus funds in short-term reserve assets, while Riyadh holds 60 to 70 percent of its assets in bank deposits and marketable government securities. We have not been able to analyze $59 billion of the $330 billion in 1982 total assets. 25X1

Location of Assets. About 65 percent of OPEC's official assets are located in the major industrial countries. While the US share has remained fairly constant, UK and West European shares have fallen slightly over the past three years. The Japanese share has increased: 25X1

- The United States was the repository for 23 percent of total OPEC assets at yearend 1982, according to official US data.

- We estimate that another 17 percent of 1982 OPEC assets was held in the United Kingdom, a slight decline from 19 percent in 1979. Other European countries accounted for 14 percent at yearend 1982, down from 16 percent in 1979.

- Japanese investments represented 5 percent of total 1982 assets, compared to 3 percent in 1979.

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LDCs have gained a small but steadily rising share of OPEC funds. We estimate that OPEC loans for LDC development projects and OPEC capital participation

[2] Under the original 1980 Gulf state aid agreement, proceeds from increased Gulf oil production were to be loaned to Iraq interest free and repayable at the end of the war in cash or oil. However, we doubt that these loans, having reached over $20 billion, will ever be repaid.

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in Arab companies, such as the Arab Banking Corporation and Gulf International Bank, amounted to at least $23 billion at yearend 1982. Loans to Iraq totaling $22 billion by yearend 1982 account for another 7 percent of OPEC assets invested in the LDCs. [redacted]

Currency Composition of Assets. Most of OPEC's foreign assets are denominated in US dollars, but there has been a small increase in yen and mark holdings over the past three years. In 1979-82, OPEC members acquired an additional 10 million ounces of gold, bringing the value of their gold holdings to $3 billion at 1982 prices:

- At yearend 1982, US-dollar-denominated OPEC holdings stood at 64 percent of total assets, about the same as in 1979. Dollar placements in the United States accounted for about 45 percent of total dollar holdings.
- We estimate that OPEC holdings of sterling were $7 billion at yearend 1982, up $2 billion from three years earlier; sterling's share of total assets, however, fell slightly to 2 percent from 3 percent in 1979.
- Mark and yen assets accounted for 13 percent of the total in 1982, up from 10 percent in 1979.
- Holdings of gold, SDRs, and reserve positions in the IMF amounted to 9 percent of assets at yearend 1982, compared to 6 percent in 1979. [redacted]

Outlook for 1983

We estimate that Saudi Arabia, Iraq, Algeria, Indonesia, Libya, Nigeria, and Venezuela this year will draw down about $35 billion in foreign assets to finance current account deficits and net capital outflows. Most of the drawdown will likely be in liquid dollar-denominated reserve assets from the Saudi portfolio, but we cannot rule out disposal of corporate securities by Riyadh if market conditions are favorable for their sales. Corporate securities and other nonreserve assets, such as private placements, constitute 10 to 20 percent of official Saudi foreign assets. [redacted]

We believe this drawdown in OPEC liquid reserves, plus new loans to Iraq and equity investments by Kuwait, will continue to shift the composition of OPEC assets toward nonreserve holdings. So far this year, we estimate Iraq has received almost $2 billion in aid, including Saudi and Kuwaiti oil sales on its behalf. Other concessional loans and new Kuwaiti foreign oil investments also will help boost the share of OPEC nonreserve assets. The state-owned Kuwait Petroleum Company (KPC) so far this year has purchased Gulf Oil Company marketing and refining facilities in Sweden, Denmark, Holland, Belgium, and Luxembourg valued at $600 million. [redacted] Having acquired Santa Fe International in 1981 for $2.5 billion, we expect Kuwait will delay further major oil investments in the United States until settlement of its lawsuit against the US Department of Interior over oil rights on Federal lands. [redacted]

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Kuwait, the UAE, Qatar, and Iran should add a total of $7 billion to foreign holdings this year, according to our balance-of-payments estimates. We calculate that Iran will account for $4 billion of this total, if import growth is held to about 20 percent. We believe Tehran will continue to hold its surplus funds in liquid reserves with West European banks. By law the Government of Kuwait is obligated to contribute 10 percent of total government revenues—exclusive of investment income—into the Reserve Fund for Future Generations (RFFG). These funds, which are heavily invested in foreign corporate securities and medium-term government securities, cannot be used to finance budgetary expenditures until 2001. [redacted] At the present time, however, we calculate that the government will contribute about $800 million to the RFFG this year based on our estimate of $7.4 billion in 1983 oil revenues. [redacted]

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Table B-1
OPEC: Official Foreign Assets 1974-83 [a]

Billion US $

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 [b]
OPEC total [d]	**74**	**102**	**128**	**158**	**160**	**211**	**292**	**332**	**330**	**296**
Algeria	2	2	3	3	4	6	7	6	5	3
Ecuador	NEGL	NEGL	1	1	1	1	1	1	NEGL	NEGL
Gabon	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL
Indonesia	2	1	2	3	3	4	7	6	5	2
Iran	10	13	14	19	19	23	19	10	13	17
Iraq	4	3	5	8	10	19	31	21	8	3
Kuwait	10	15	19	26	30	42	54	67	73	74
Libya	4	3	4	7	6	9	16	12	9	6
Nigeria	6	6	5	4	2	6	11	4	2	NEGL
Qatar	1	2	3	4	5	6	10	13	15	16
Saudi Arabia	22	39	51	60	57	63	95	144	153	130
UAE	5	8	11	13	15	18	27	33	35	36
Venezuela [c]	8	10	10	10	9	14	14	14	12	9

[a] Based on balance-of-payments data.
[b] Estimated.
[c] Before 1982 our estimate of Venezuelan official foreign assets included only assets held by the Central Bank. In August 1982 the Central Bank took control of $5.7 billion in foreign assets of Petroleos del Venezuela, the state-owned oil company, and we have added this amount to our total for 1982.
[d] Because of rounding, components may not add to totals shown.

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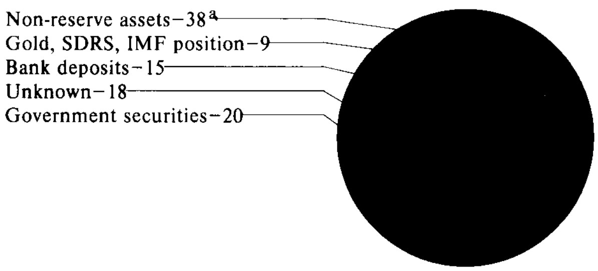
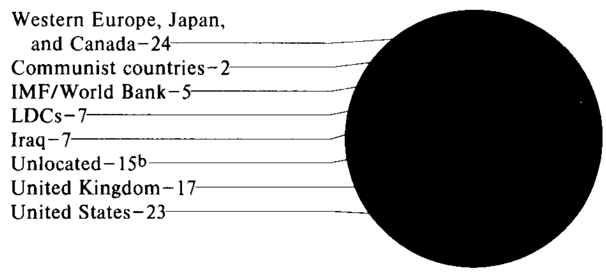
OPEC: Distribution and Location of Official Foreign Assets, 1982

Percent

Distribution= $ 330 Billion



Location= $ 330 Billion



[a] Includes loans, comparable securities, direct investments, and capital participation in joint Arab companies. All of Kuwait's $39 billion in investment accounts has been placed in the category, although an unknown portion of these accounts has been invested in government securities.
[b] Includes $11 billion in unlocated official gold reserves and $20 billion in unlocated Kuwaiti and UAE assets.

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Table B-2
Saudi Arabia: Distribution of Official Foreign Assets

Billion US $

	1979	1980	1981	1982
Total [a]	**63**	**95**	**144**	**153**
By location				
United Kingdom	13	16	18	15
Other Western Europe	11	18	22	21
Canada and Japan	3	7	14	17
IMF and IBRD	4	5	7	9
US, other countries, and unlocated	31	50	83	90
By currency				
US dollars	46	62	84	92
Pound sterling	1	3	3	3
German mark	4	8	13	13
Japanese yen	2	5	11	13
Other currencies	4	7	7	8
Gold and SDRs	2	6	8	10
Unknown	4	6	18	14
By type of account				
Gold and IMF	4	6	7	10
Bank deposits	17	20	20	19
Government securities	17	31	56	59
Corporate securities	18	24	32	32
Other assets [b]	7	13	18	21
Unknown	NEGL	1	11	12

[a] Estimates based on balance-of-payments data.
[b] Includes loans and direct placements.

Table B-3
Kuwait: Distribution of Official and Quasi-Official Foreign Assets [a]

Billion US $

	1979	1980	1981	1982
Total [b]	**42**	**54**	**67**	**73**
By location				
United Kingdom	11	14	17	25
Other Western Europe	5	6	6	7
Canada and Japan	NEGL	1	1	1
IMF and IBRD	1	1	2	2
US, other countries, and unlocated	25	31	41	38
By currency				
US dollars	24	26	28	40
Pound sterling	3	3	3	2
German mark	5	6	6	6
Japanese yen	1	1	1	1
Other currencies	3	4	4	5
Gold and SDRs	1	2	2	1
Unknown	6	12	24	17
By type of account				
Gold, SDRs, and IMF position	2	2	2	2
Bank deposits	2	2	1	1
Government securities [c]	2	3	3	3
Investment accounts [d]	26	33	37	39
Other assets [e]	7	10	15	17
Unknown	2	5	9	10

[a] Includes foreign assets of mixed-sector investment companies.
[b] Estimates based on balance-of-payments data. Numbers may not add due to rounding.
[c] Includes World Bank and European Economic Community securities and long-term securities held by investment companies.
[d] These accounts include some deposits but are largely invested in medium-term government and corporate bonds and equities.
[e] Includes loans, private placements, direct investments by the Kuwait Petroleum Corporation, capital in Arab companies, and real estate.

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Table B-4 *Billion US $*
United Arab Emirates: Distribution of Official Foreign Assets

	1979	1980	1981	1982
Total [a]	**18**	**27**	**33**	**35**
By location				
United Kingdom	1	3	2	2
Other Western Europe	1	2	1	2
Canada and Japan	1	2	3	2
IMF and IBRD	NEGL	NEGL	NEGL	1
US, other countries, and unlocated	16	20	27	28
By currency				
US dollars	10	7	6	7
Pound sterling	0	1	1	1
German mark	NEGL	1	1	1
Japanese yen	1	2	2	2
Other currencies	1	1	1	1
Gold and SDRs	NEGL	1	1	1
Unknown	6	14	21	22
By type of account				
Gold and IMF	NEGL	NEGL	NEGL	1
Bank deposits	2	3	1	3
Government securities	1	1	3	3
Corporate securities	3	3	3	3
Other assets [b]	3	7	8	8
Unknown	9	12	19	18

[a] Estimates based on balance-of-payments data.
[b] Includes loans and direct placements.

Table B-5 *Billion US $*
Iran: Distribution of Official Foreign Assets

	1979	1980	1981	1982
Total [a]	**23**	**19**	**10**	**14**
By location				
United Kingdom	5	4	NEGL	1
Other Western Europe	5	3	2	4
Canada and Japan	NEGL	NEGL	NEGL	1
IMF and IBRD	1	1	1	1
US, other countries, and unlocated	12	11	7	7
By currency				
US dollars	14	12	5	7
Pound sterling	1	NEGL	0	NEGL
German mark	2	1	NEGL	1
Japanese yen	NEGL	NEGL	0	1
Other currencies	1	1	NEGL	NEGL
Gold and SDRs	2	4	2	1
Unknown	3	1	2	3
By type of account				
Gold and IMF	3	4	2	3
Bank deposits	9	7	1	5
Government securities	1	1	NEGL	NEGL
Corporate securities	4	4	4	3
Other assets	2	1	NEGL	NEGL
Unknown	5	2	3	2

[a] Estimates based on balance-of-payments data.

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Table B-6
Iraq: Distribution of Official Foreign Assets

Billion US $

	1979	1980	1981	1982
Total [a]	**19**	**31**	**21**	**8**
By location				
United Kingdom	NEGL	1	1	NEGL
Other Western Europe	8	10	8	3
Canada and Japan	1	2	2	NEGL
IMF and IBRD	NEGL	NEGL	NEGL	NEGL
US, other countries, and unlocated	11	17	10	4
By currency				
US dollars	7	11	6	2
Pound sterling	NEGL	NEGL	NEGL	0
German mark	4	4	4	2
Japanese yen	1	1	1	NEGL
Other currencies	4	3	4	2
Gold and SDRs	2	3	2	2
Unknown	1	9	5	1
By type of account				
Gold and IMF	2	3	2	2
Bank deposits	15	18	12	4
Government securities	0	1	1	NEGL
Corporate securities	1	1	1	0
Other assets	NEGL	NEGL	NEGL	NEGL
Unknown	1	9	5	1

[a] Estimates based on balance-of-payments data.

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